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Innovation and Creativity as Driving Forces of Entrepreneurship in the Creative Economy Sector

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Abstract: Creative economy has become a new driving force in Indonesia's economy with a contribution to national GDP reaching 6.54% in 2022. This research analyzes the role of innovation and creativity as driving forces of entrepreneurship in Indonesia's creative economy sector. The research method uses a qualitative approach with literature study analysis of scientific publications and official government data for the 2020-2024 period. The research results show that innovation and creativity have a significant influence on entrepreneurial success in the creative economy sector. The culinary, fashion, and craft sectors dominate with a 75% contribution to the national creative economy GDP value. Digital transformation becomes the main catalyst in transforming creative ideas into tangible economic value. Research findings indicate that developing an innovation ecosystem supported by collaboration among stakeholders is key to the success of creative economy entrepreneurship. This research contributes to developing more effective policy strategies in promoting Indonesia's creative economy growth.

Keyword: creative economy, innovation, creativity, entrepreneurship, digital transformation

INTRODUCTION

The creative economy has experienced rapid growth in Indonesia over the past two decades. This sector not only makes a significant economic contribution to the national Gross Domestic Product (GDP) but also serves as a strategic solution in addressing various global economic dynamics. Data from the Ministry of Tourism and Creative Economy shows that by the first quarter of 2024, the added value of the creative economy had reached IDR 749.58 trillion, equivalent to 55.65% of the annual target of IDR 1,347 trillion. The global economic transformation, which increasingly focuses on utilizing creativity and innovation as the primary source of added value, has placed Indonesia in a strategic position. Minister of Tourism and Creative Economy Sandiaga Salahuddin Uno emphasized that Indonesia's creative industry is now a benchmark for other countries, having successfully created nearly 25 million jobs, with a total added value of IDR 1,400 trillion and exports of approximately US\$27 billion. These achievements demonstrate the creative economy sector's significant potential to become the backbone of the national economy.

The growth of the creative economy in Indonesia is inseparable from the role of innovation and creativity as the primary drivers of entrepreneurship. Creativity is understood as the ability to produce or create something new, unique, and acceptable or useful for oneself and the wider community. Meanwhile, innovation is the process of implementing creative ideas into products, services, or processes that provide added economic and social value. In today's digital era, the role of information and communication technology is crucial in accelerating the growth of the creative economy. Digital platforms have provided significant opportunities for creative entrepreneurs to reach broader markets, both domestically and internationally. Generation Z, born and raised with digital technology, has a competitive advantage in developing the creative economy through technological mastery combined with creative and innovative ideas.

A rich and diverse culture and local wisdom also support the development of Indonesia's creative economy. The heritage of traditional arts, music, and crafts has become an integral part of Indonesian life and holds great potential to be developed into high-value creative economy products. Local artisans and artists often succeed in creating products that combine tradition with modern innovation, attracting the interest of both local and global consumers. However, the development of the creative economy in Indonesia still faces various challenges that require strategic solutions. Access to financing, supporting infrastructure, quality human resources, and supportive government policies remain critical factors influencing entrepreneurial success in this sector. Therefore, a deeper understanding of how innovation and creativity can be optimized as driving forces for entrepreneurship in the creative economy is needed.

This research aims to analyze the role of innovation and creativity as driving forces for entrepreneurship in Indonesia's creative economy sector. The analysis focuses on identifying factors influencing the success of creative economy entrepreneurship and developing strategies that can be implemented to optimize the sector's potential to support national economic growth.

Library Review

The concept of the creative economy was first introduced by John Howkins in 2001 in his book "The Creative Economy: How People Make Money from Ideas." According to Howkins, the creative economy is economic activity based on individual creativity, skills, and talents to create wealth and jobs. This definition has since evolved and been adapted by various countries to suit their respective characteristics and needs. The United Nations Conference on Trade and Development (UNCTAD) defines the creative economy as an economic concept that prioritizes creativity, the use of ideas, knowledge, and technology to develop the economy, particularly in the industrial sector. Meanwhile, the Institute for Development Economy and Finance defines the creative economy as the process of increasing added value resulting from the exploration of intellectual property in the form of individual creativity, expertise, and talent into marketable products.

In Indonesia, formal development of the creative economy began in 2006 during the administration of President Susilo Bambang Yudhoyono. The Indonesian Ministry of Trade defines the creative economy as an industry that derives from the use of individual creativity, skills, and talents to create prosperity and jobs through the creation and utilization of personal creativity and inventiveness. Hadiyati's (2011) research shows that creativity and innovation have a significant influence on small business entrepreneurship. A study of 53 small-scale welding entrepreneurs in Malang Regency showed that creativity and innovation, both simultaneously and partially, had a positive influence on entrepreneurship. This finding strengthens the argument that creativity and innovation are key factors in entrepreneurial success.

A recent study by Ardiansyah (2020) emphasized that creativity in entrepreneurship is the process of transforming new and innovative ideas into tangible results, practices, and solutions. Creativity involves the use of divergent thinking skills to generate unconventional ideas that can provide solutions to existing problems. In entrepreneurship, creativity is a primary motivation that drives individuals to identify business opportunities and develop them into profitable ventures.

Innovation in entrepreneurship is defined by Bhagat and Sambargi (2019) as the process by which an individual voluntarily accepts change and contributes to the creation of ideas, objects, or practices that encourage people to enthusiastically embrace change. Van (1986) added that innovation is the process by which people engage in transactions with others to generate and implement new ideas over time within an institutional framework. Azizah and Ma'rifah's (2017) research on entrepreneurial motivation as a mediator of the relationship between innovative behavior and creativity and business success indicates a positive and significant relationship between creativity and innovation and business success. This study was conducted on hand-drawn batik entrepreneurs in Kebumen Regency and demonstrated that entrepreneurial motivation plays a strong mediating role in this relationship.

In the digital economy, Hamdan's research on the creativity and innovation development model for shaping entrepreneurs in the digital economy era demonstrates the need for a training model oriented toward developing an entrepreneurial spirit. This model enables the creation of entrepreneurial institutions in the digital economy, which requires greater creativity and innovation. Developments in information and communication technology have had a significant impact on the growth of the creative economy. Fadlilah et al. (2024) in their research exploring the development of the creative economy's potential in the digital era emphasized that digital transformation has changed the way creative entrepreneurs create, produce, and distribute their products. Digital platforms not only expand market reach but also enable innovation in business models and marketing strategies.

Kusuma and Soelaiman's (2019) study on factors influencing the success of creative arts and crafts businesses in Bali identified several key factors: product creativity, process innovation, marketing capabilities, and infrastructure support. This research demonstrates that the success of creative industry businesses depends not only on product creativity and innovation but also on the entrepreneur's ability to manage other business aspects. Research by Merline and Widjaja (2022) on the influence of entrepreneurial knowledge, entrepreneurial orientation, and innovation on the success of SMEs indicates that these three factors have a positive and significant influence on business success. These findings indicate that in addition to creativity and innovation, entrepreneurial knowledge and entrepreneurial orientation are also determining factors for success in the creative economy.

METHOD

This research uses a qualitative approach using a literature review method to analyze the role of innovation and creativity as driving forces for entrepreneurship in the creative economy sector. A qualitative approach was chosen because it provides a deep understanding of the phenomena studied through interpretive analysis of available secondary data. The data sources in this study consisted of secondary data obtained from various scientific publications, official government reports, and policy documents related to the creative economy in Indonesia. Primary data were collected from accredited scientific journals, international publications, and official reports from the Ministry of Tourism and Creative Economy of the Republic of Indonesia, the Central Bureau of Statistics, and other research institutions.

The data analysis period covered publications and reports published between 2020 and 2024 to ensure the relevance and timeliness of the information analyzed. The criteria for

selecting data sources included the credibility of the publishing institution, the relevance of the topic to the research focus, and the quality of the research methodology used in the data sources. The data analysis technique used content analysis to identify key themes related to innovation, creativity, and entrepreneurship in the creative economy. The analysis process was carried out through several stages: data collection, theme categorization, analysis of relationships between themes, and synthesis of findings to produce integrated conclusions.

Data validity was ensured through source triangulation, using multiple independent data sources to confirm the research findings. The reliability of the analysis was maintained through consistent application of analysis criteria and systematic documentation throughout the research process. Limitations of this study lie in the use of secondary data, which may be subject to bias from previous researchers, and the limited generalizability of the findings due to its focus on the creative economy in Indonesia. Nevertheless, the systematic literature review approach still provides valuable insights into the phenomena studied.

RESULT AND DISCUSSION

Contribution of the Creative Economy to the National Economy

Data analysis shows that the creative economy sector has made a significant contribution to Indonesia's national economy. In 2022, the creative economy sector contributed 6.54% to the total national GDP, although this was a decrease compared to the previous year. The Minister of Tourism and Creative Economy stated that the creative economy's GDP value in 2023 exceeded IDR 1,300 trillion, creating more than 22 million jobs. The latest data from the Ministry of Tourism and Creative Economy shows that by the first quarter of 2024, the added value of the creative economy reached IDR 749.58 trillion, or 55.65 percent of the IDR 1,347 trillion target. This achievement indicates positive momentum in the growth of Indonesia's creative economy sector.

The leading sectors in Indonesia's creative economy are dominated by three main subsectors. The subsectors that contributed 75% to the national creative economy GDP in 2023 are culinary, fashion, and crafts. The dominance of these three subsectors reflects Indonesia's strength in utilizing local cultural richness and traditions as a basis for creative economy development. The export performance of the creative industry also shows an encouraging trend. The creative industry's export performance in the third quarter of 2023 reached USD 17.4 billion, with the fashion subsector contributing USD 9.88 billion and the crafts subsector USD 6.26 billion. This achievement demonstrates the competitiveness of Indonesia's creative economy products in the global market.

The Role of Innovation in Creative Economy Entrepreneurship

Innovation has been proven to be a key factor in entrepreneurial success in the creative economy sector. Literature analysis shows that innovation is not limited to new product development but also encompasses innovation in processes, marketing, and business models. Innovation has the greatest influence on entrepreneurship, according to empirical research. In the digital era, technological innovation is a key catalyst for creative economy growth. Innovative technologies such as artificial intelligence, virtual reality, and blockchain can be used to create more innovative and attractive products and services. The use of digital technology has enabled creative entrepreneurs to develop more efficient business models and reach a wider market.

Digital transformation has also changed the way creative entrepreneurs interact with consumers. Digital platforms and social media have become primary means for the promotion, distribution, and sale of creative products. It provides opportunities for small and medium-sized enterprises (SMEs) to compete with large corporations in reaching consumers. Innovation in the creative economy is reflected in the ability of entrepreneurs to combine

tradition with modern technology. Many Indonesian creative entrepreneurs have successfully developed products that combine local wisdom with contemporary technology, resulting in high added value and unique appeal in the global market.

Creativity as the Basis for Creative Economy Entrepreneurship

Creativity is the primary foundation for developing creative economic entrepreneurship. Creativity is the ability to create something new and different through creative thinking and innovative actions to create opportunities. In Indonesia's creative economy, creativity is not only related to artistic ability, but also the ability to identify business opportunities and develop unique solutions. The younger generation, particularly Generation Z, plays a crucial role in the development of the creative economy through their creativity. Generation Z has the advantage of being able to think outside the box. They were born in the smartphone era, grew up with sophisticated computer technology, and have easier internet access than previous generations.

Creativity in the creative economy is also reflected in the ability of entrepreneurs to explore and utilize local cultural richness as a source of inspiration. Indonesia holds a competitive advantage in this regard due to its rich culture and diverse traditions. Creative entrepreneurs who can elevate and modernize local cultural values often succeed in creating products with high sales value and global appeal. The development of creativity also requires the support of a conducive ecosystem, including education, infrastructure, and government policies. Investment in arts and design education, as well as the provision of creative spaces and business incubators, are factors that support the development of creativity in creative economy entrepreneurship.

Synergy of Innovation and Creativity in Driving Entrepreneurship

The synergy between innovation and creativity is key to driving entrepreneurship in the creative economy sector. Creativity and innovation are relevant topics not only for aspiring entrepreneurs but also for business activities in general. These two elements complement and strengthen each other in creating added economic value. Creativity acts as a source of ideas and inspiration, while innovation plays a role in implementing creative ideas into products or services with economic value. By combining innovation and creativity, entrepreneurship can create businesses that are not only profitable but also have a positive impact on society and the environment.

In practice, the synergy between innovation and creativity can be seen in the ability of entrepreneurs to develop unique products, create memorable consumer experiences, and build sustainable business models. It requires a balance between technical and artistic skills, as well as a sound understanding of market needs and preferences. Factors supporting the synergy between innovation and creativity include access to technology, the availability of competent human resources, financial support, and a conducive regulatory environment. Collaboration between entrepreneurs, educational institutions, and the government is also key to creating an ecosystem that supports the development of innovation and creativity.

The Impact of Digital Transformation on Creative Economy Entrepreneurship

Digital transformation has had a significant impact on creative economy entrepreneurship in Indonesia. Digital platforms have become key enablers, enabling creative businesses to access broader markets, optimize business operations, and develop innovative business models. E-commerce and digital marketplaces have opened up significant opportunities for creative businesses to sell their products online. It is particularly beneficial for small and medium-sized enterprises (SMEs) that previously faced limited market access.

Digital platforms also enable businesses to build brand awareness and establish direct relationships with consumers. Social media has become a highly effective marketing tool for creative businesses. Social media has a positive and significant impact on the success of MSMEs. Through social media, businesses can showcase their products, interact with consumers, and build loyal communities around their brands. Digital technology has also enabled innovation in production and distribution processes. The use of design software, 3D printing, and other digital manufacturing technologies has enabled creative businesses to develop products more efficiently and cost-effectively. It is highly beneficial in increasing the competitiveness of Indonesian creative economy products in the global market.

Creative Economy Entrepreneurship Ecosystem

Developing a creative economy entrepreneurship ecosystem requires synergistic collaboration between various stakeholders. Optimizing the role of each stakeholder is essential: academics as researchers, the government as regulator and facilitator, the private sector as investor and initiator, the community as actors and consumers, and the media as mediator and publisher. The government plays a strategic role in creating policies that support the development of the creative economy. The government has designated creative economy development as part of the national priority agenda and established BEKRAF (Creative Agency for Creative Economy) to oversee its development. This policy encompasses regulatory, financing, infrastructure, and promotional aspects.

Educational institutions play a crucial role in developing competent human resources in the creative economy. Developing curricula tailored to industry needs, providing creative laboratory and studio facilities, and establishing business incubator programs are key factors in supporting creative economy entrepreneurship. The private sector plays a role as an investor and strategic partner in creative economy development. Private sector investment includes not only financial capital but also technology transfer, market access, and business management development. Collaboration between large companies and creative entrepreneurs can create mutually beneficial added value.

CONCLUSION

Based on the analysis conducted, it can be concluded that innovation and creativity play a crucial role as driving forces for entrepreneurship in Indonesia's creative economy sector. The creative economy sector has made a significant contribution to the national economy, achieving a GDP growth of 6.54% in 2022 and creating more than 22 million jobs. Innovation in the creative economy extends beyond new product development to include innovations in processes, marketing, and business models, supported by digital transformation. Digital technology has become a key catalyst, enabling creative entrepreneurs to access broader markets and optimize their business operations.

Creativity, as the primary foundation of creative economy entrepreneurship, has been proven to provide a competitive advantage by leveraging Indonesia's rich local culture and traditions. The younger generation, particularly Generation Z, holds significant potential for developing the creative economy through their ability to think outside the box and master digital technology. The synergy between innovation and creativity has created a dynamic entrepreneurial ecosystem capable of producing products with high added value. Collaboration among stakeholders, including government, academia, the private sector, and the community, is key to successfully optimizing the potential of the creative economy.

To support optimal creative economic growth, an integrated development strategy is needed, encompassing increased access to financing, digital infrastructure development, human resource capacity building, and the creation of conducive policies. The development

of Indonesia's creative economy offers promising prospects for achieving the target of contributing 11 percent to the national economy under the Indonesia Emas program.

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